

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-08 EA-06 ISO-00 AID-05 CIAE-00 COME-00

EB-04 FRB-01 INR-05 NSAE-00 RSC-01 XMB-02 OPIC-06

SP-02 CIEP-01 LAB-01 SIL-01 OMB-01 AGR-05 SWF-01

NSC-05 SS-15 STR-01 CEA-01 L-01 H-01 PRS-01 PA-01

USIA-06 FEAE-00 INT-05 DRC-01 /089 W

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P R 151546Z OCT 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 7455

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

PASS TREASURY FOR WIDMAN; PASS FRB

1. SUMMARY. ADJUSTED BALANCE OF PAYMENTS FOR SEPTEMBER

REGISTERED DEFICIT OF \$94 MILLION, RESULTING IN

CUMULATIVE ADJUSTED DEFICIT FOR NINE-MONTH PERIOD

OF \$6,401 MILLION. SEPTEMBER DEFICIT FOLLOWED TWO

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MONTHLY SURPLUSES (JULY \$306 AND AUGUST \$66).

MONTH MARKED BY MANY MAJOR DEVELOPMENTS: FURTHER ROLLOVER OF SHORT-TERM EC CREDIT (\$1,885 MILLION), RECEIPT OF GERMAN GOLD COLLATERAL LOAN (\$2,000 MILLION), FIRST DRAWING FROM IMF OIL FACILITY (\$312 MILLION), SECOND IMF STANDBY DRAWING (\$534 MILLION), CONVERSION OF SDR'S (\$179 MILLION), FULL REPAYMENT ON OTHER EUROMARKET BORROWINGS (\$30 MILLION). END SUMMARY.

2. MONETARY MOVEMENTS DATA FOR SEPTEMBER SHOW ADJUSTED DEFICIT OF \$94 MILLION, I.E., RECORDED DEFICIT OF \$124 LESS LOAN REPAYMENT OF \$30 MILLION ON EARLY 1974 EUROMARKET BORROWING BY BANCA NAZIONALE DEL LAVORO. MAIN DEVELOPMENTS DURING PERIOD WERE INCREASED IN CONVERTIBLE CURRENCY HOLDINGS BY \$2,333 MILLION, INCREASE IN MEDIUM AND LONG-TERM LIABILITIES OF \$2,698 MILLION, REPAYMENTS OF \$434 MILLION BY COMMERCIAL BANKS ON THEIR NET FOREIGN LIABILITIES, SDR CONVERSION OF \$179 MILLION, AND INCREASE OF \$13 MILLION IN SHORT-TERM LIABILITIES. MAJOR TRANSACTIONS DURING MONTH WERE FURTHER 90-DAY ROLLOVER (TO DECEMBER 18) OF SHORT-TERM EUROPEAN COMMUNITY CREDIT (\$1,885 MILLION), RECEIPT OF GERMAN GOLD COLLATERAL LOAN (\$2,000 MILLION), FIRST DRAWING FROM IMF OIL FACILITY (\$312 MILLION), SECOND IMF STANDBY DRAWING (\$534 MILLION), CONVERSION INTO FOREIGN EXCHANGE OF SDR'S (\$179 MILLION), FULL REPAYMENT OF MARCH MONTEDEISON LOAN (\$150 MILLION), AND REPAYMENT OF OTHER EUROMARKET BORROWINGS (\$30 MILLION).

3. RECORDED CUMULATIVE DEFICIT FOR NIN-MONTH PERIOD FROM JANUARY THROUGH SEPTEMBER WAS \$4,281 MILLION AND ADJUSTED CUMULATIVE DEFICIT (INCLUDING EUROMARKET BORROWINGS OF \$2,157 MILLION LESS \$30 MILLION BNL REPAYMENT) WAS \$6,401 MILLION. DEFICIT HAS BEEN FINANCED BY INCREASE IN BOI FOREIGN EXCHANGE ASSETS BY \$1,768 MILLION, REDUCTION OF SDR HOLDINGS OF \$186 MILLION, DECREASE IN NET IMF POSITION BY \$355 MILLION AS RESULT OF DRAWING DOWN OF SUPER GOLD TRANCHE, REDUCTION IN BOI SHORT-TERM LIABILITIES BY \$328 MILLION, INCREASE IN MEDIUM AND LONG-TERM BOI LIABILITIES OF \$5,074 MILLION (INCLUDING EC CREDIT, GERMAN GOLD COLLATERAL LOAN, IMF STANDBY LIABILITIES, AND IMF OIL FACILITY DRAWING), AND NET SHORT-TERM BORROWINGS

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OF COMMERCIAL BANKS OF \$761.

4. ON OCTOBER 14, LIRA EXCHANGE RATE WAS 669.425 LIRE PER DOLLAR, MOST DEPRECIATED RATE SINCE RECORD LOWS OF JANUARY 1974. THREE-MONTH FORWARD RATE WAS 685.425 AND WEIGHTED AVERAGE DEVALUATION OF LIRE, ACCORDING BOI BOI INDEX, WAS RECORD LOW OF 20.46 PERCENT. 9, -.3 \$-53, THREE-MONTH EURO-LIRA INTEREST RATE WAS

20 1/4 PERCENT AND LIRA INTERBANK INTEREST RATES
WERE 16.5675 (RI-HOUR RATE) AND 17.8175 (THREE-MONTH
RATE). VOLPE

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BALANCE OF PAYMENTS, BALANCE OF PAYMENTS DEFICITS, BALANCE OF PAYMENTS TRENDS, FOREIGN EXCHANGE RATES, LIRA
Control Number: n/a
Copy: SINGLE
Draft Date: 15 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ROME14193
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740292-0969
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741046/aaaabnlc.tel
Line Count: 118
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 04 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 APR 2002 by boyleja>; APPROVED <31 JUL 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN EXCHANGE MARKET DEVELOPMENTS PASS TREASURY FOR WIDMAN; PASS FRB
TAGS: EFIN, IT, EEC, IMF
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005